



CALIFORNIA Economic Indicators

May-June 2008

Hope for Housing?

Home sales have improved but at a significant cost.

■ REVIEW OF RECENT ECONOMIC DEVELOPMENTS

The latest readings on real estate activity give some reason for hope. Based on information available through May, home sales have been trending up since October 2007, inventories have fallen, and the time needed to sell a house has improved. This improvement, however, came at the cost of a steep drop in home prices. It is still uncertain how long it will be before these trends will translate into improvement in other factors such as construction employment and consumer spending.

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EMPLOYMENT

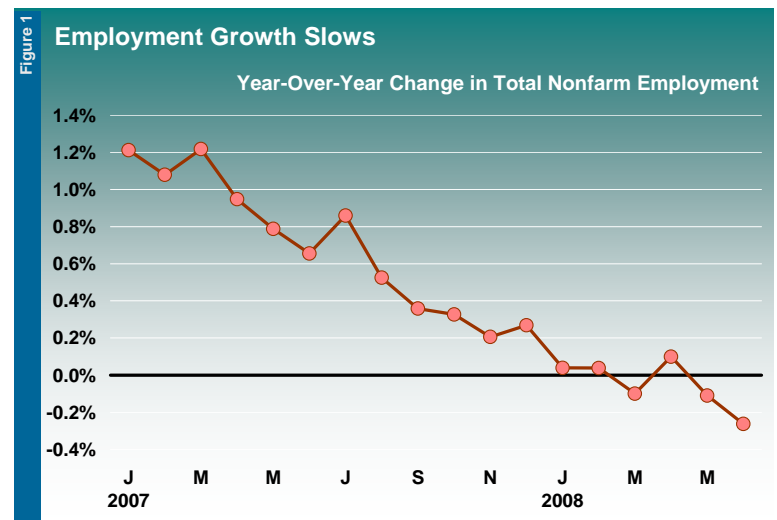
Job growth hampered by housing woes

California's nonfarm payroll employment fell by 9,100 in April and 10,900 in May. With losses in four of the first five months of the year, employment was down 25,900 jobs for the year and 16,600, or 0.1 percent, from May 2007.

Despite improved home sales, most of the job losses continued to come in the state's housing sector in the last 12 months. Construction gave up 88,000 jobs and financial activities, 36,400. In addition, employment fell by 17,000 jobs in retail sales, driving employment losses in the trade, transportation, and utilities sector to 7,200. The manufacturing and information sectors also posted job declines over the year.

The other six major industry sectors gained jobs over the 12-month period, however, with employment up by 56,100 in educational and health services, 43,200 in government, 21,700 in professional and business services, 9,500 in leisure and hospitality, 7,300 in other services, and 900 in natural resources and mining.

Four of the state's 11 major industry sectors gained jobs in May. Educational and health services added 4,000 jobs, information, 3,200, other services, 1,600, and natural resources and mining, 200. Government employment held steady. Six sectors lost jobs, led by construction with dropped 9,600. Manufacturing lost 3,300 jobs, professional and business services, 3,100, leisure and hospitality, 2,000, financial activities, 1,200, and trade, transportation, and utilities, 700.



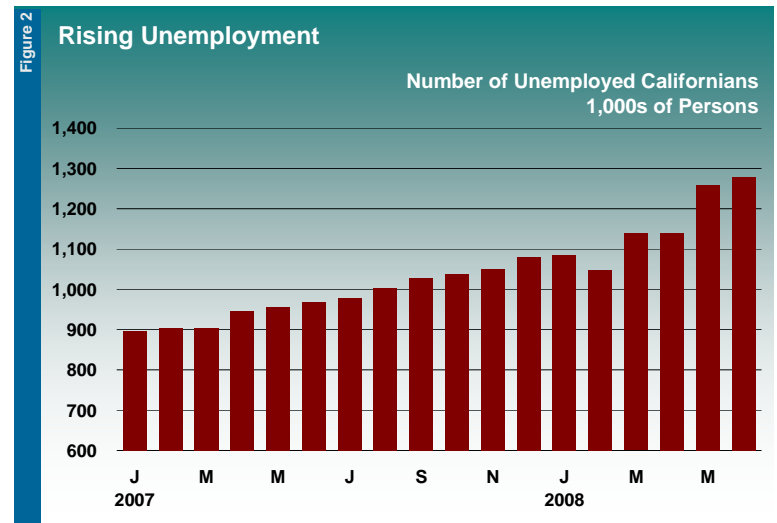
Dogged by housing market troubles, California employment growth gradually deteriorated.

The unemployment rate makes a surprising jump

The state's unemployment rate jumped 0.6 percentage point to 6.8 percent in May—the biggest jump in the official series, which goes back to January 1976.

The volatility of household series has become so notorious that it is difficult to infer much from it about the state of the economy on a month-to-month basis. This volatility began in 2005 when the U.S. Bureau of Labor Statistics imposed a new requirement that the labor market statistics of the states add up to the corresponding figures for the nation. For example, the reported number of unemployed people increased over 10 percent in May—the biggest increase in over 36 years. Much of this year's volatility will likely be smoothed out of the series after next year's benchmarking.

Despite these questionable readings, the state's unemployment rate has been rising steadily since the beginning of 2007. In January of that year, the rate stood at 5.0 percent. It rose gradually to 5.9 percent at year's end and then continued to ratchet up during the early months of 2008. This pattern roughly corresponds to the gradual slowdown in job growth shown in the nonfarm (payroll) employment series and a steady increase in unemployment insurance claims over the same period.



Amid questionable month-to-month volatility, California unemployment has trended upward.

BUILDING ACTIVITY

Single-family home building improves modestly

Single-family home building improved in May, for the second consecutive monthly gain. However, the pace of multi-family permitting slowed enough to bring overall home construction permitting down. Single and multi-family permits were issued at a seasonally adjusted annual rate of 86,900, down nearly 28 percent from May 2007. New home permitting during the first five months of 2008 was down 44 percent from the same months of 2007 and down nearly 60 percent from the same period of 2006.

Nonresidential construction slows

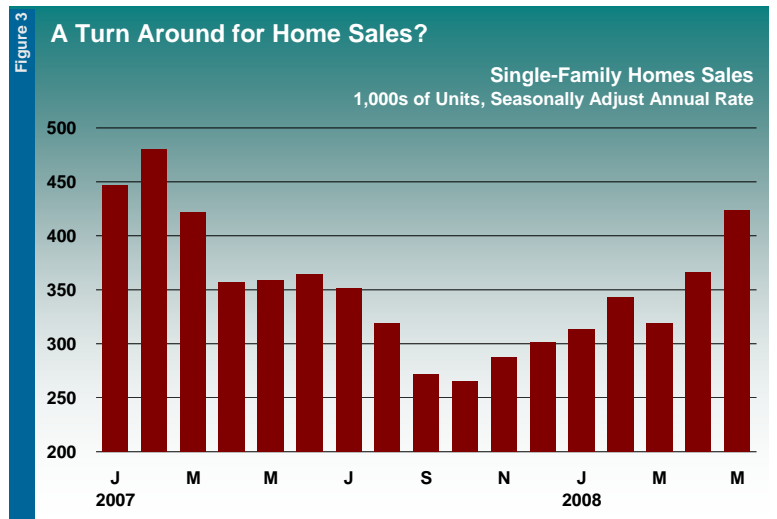
The pace of nonresidential construction permitting slowed for the second consecutive month in May, with reductions in nearly all building categories. Only the relatively small service station sector improved. For the first four months of 2008 as a whole, nonresidential permitting was down 4.2 percent from the same months of 2007, led by sharp slowdowns in the pace of office space and amusement/recreation permitting.

REAL ESTATE

Have home sales turned around?

The pace of home sales in California picked up substantially in April and May—albeit from a very subdued level. Sales of foreclosed homes boosted existing home sales in May to 423,700 units on a seasonally adjusted annual rate basis, up over 18 percent from a year earlier. The average pace of sales during the first five months of 2008 overall, though, was down 14.5 percent from the same months of 2007, and down 31 percent from the same months of 2006.

On a month-to-month basis, single-family home sales improved in six out of the last seven months ending with May. This turnaround, though, coincides with the median sales price dropping below \$500,000. The low point for home sales was reached in October 2007, which was also when the median sales price fell below half a million dollars. Since then, home prices have continued to fall while home sales have trended up. The median price of existing single-family homes sold in May 2008 was \$384,840, a 23 percent drop from October 2007. Over the same period, the



The pace of single-family home sales has been improving since October 2007.

seasonally adjusted pace of home sales increased 60 percent.

The pickup in home sales reduced the inventory of unsold homes on the market as well as the median number of days need to sell a home. In May, the unsold inventory index—the number of months needed to deplete the supply of homes on the market at the current sales rate—was 8.4 months, down from 16.8 months at the beginning of the year, and the median number of days needed to sell an existing single-family home was 49.7. While still high, this was a big improvement from the 71.6 days posted in January.

WHAT REALLY HAPPENED TO CALIFORNIA HOME PRICES?

“How much is my house worth?” is a question on the minds of many Californians. The current downturn in the state’s housing markets has shaken the faith many placed in what is, for most families, their chief economic asset. There are many ways to make educated guesses about the current market value of any one home. Making prognostications about home prices in general is more difficult and subject to many estimation uncertainties.

Accurately assessing regional home prices is crucial for many reasons. In recent years, home prices have been an important factor in California’s economic health. When home prices rise sharply, as they did in the late 1990s and early 2000s, or fall precipitously, as they have since 2006, they have a strong influence on economic activity. Rising home prices stimulate more construction and generate equity gains that fuel consumption spending. Conversely, falling prices have a dampening effect. Estimating the general value of homes, particularly in an area as large and diverse as California, is a complex task which can be tackled in a number of ways. Needless to say, different approaches yield different results.

The four most widely cited sources of California home prices are the California Association of Realtors (CAR), DataQuick Information Systems, S&P/Case-Shiller, and the Office of Federal Housing Enterprise Oversight (OFHEO). While all of these are good indicators of overall trends, each produce different results and have their own strengths and weaknesses.

DIFFERENT RESULTS

The true value of a home or property can only be accurately determined when it is sold. The common denominator of all four sources mentioned above is that they all rely on information from actual sales of residential properties. Since only a small fraction of the stock of existing homes change hands during any given period, interpreting what each source is saying about home prices statewide requires considering their survey sampling and calculation methods.

The dramatic run-up in California home prices that ended in 2006 or 2007 essentially began in 1997 according to all four measures. Case-Shiller and OFHEO indicated the most dramatic gains, rising 253 percent and 218 percent respectively from 1996 through 2006. In contrast, CAR prices rose 212 percent and DataQuick, 199 percent from 1996 through 2007. In the first quarter of 2008, the OFHEO index was off 12 percent from its peak in the third quarter of 2006 and Case-Shiller had dropped 21 percent. The DataQuick prices dropped 23 percent from their peak in the third quarter of 2007 and CAR was off 29 percent.

California home prices peaked earliest according to the Case-Shiller¹ and OFHEO California indices—in mid-2006 versus early 2007 in the other two. On the other hand, the slide in home prices was more dramatic in the CAR and DataQuick series. After peaking in the second quarter of 2006, the Case-Shiller index dropped 3.8 percent on average each quarter through the first quarter of 2008. The OFHEO index fell 2.0 percent each quarter on average. Prices in the CAR and DataQuick series peaked later—in the second quarter of 2007. The DataQuick median price dropped a whopping 8.3 percent per quarter on average through the first quarter of 2008. The CAR prices dropped 4.6 percent each quarter on average over the same period. While all four sources paint comparable pictures of the California housing roller coaster, Case-Shiller and OFHEO

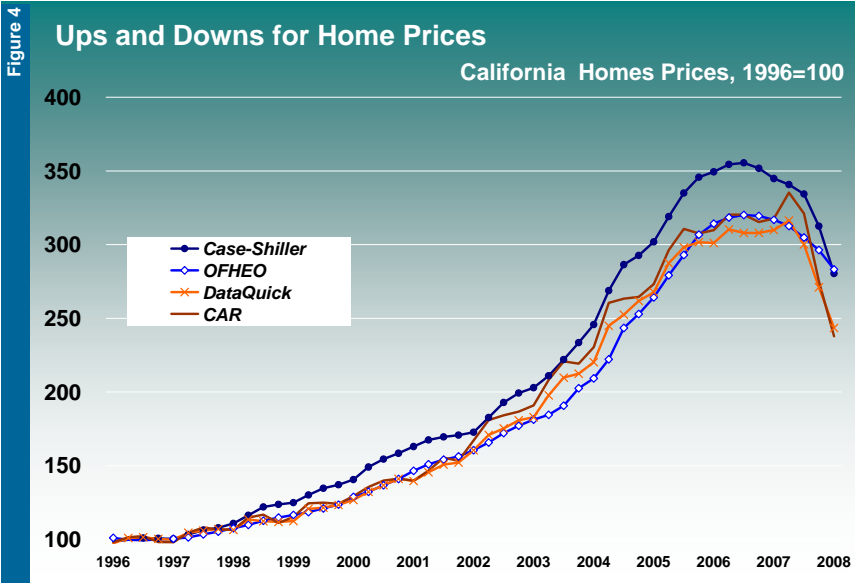


Figure 5

Home Price Contrasts		
	Gains	Losses
	1996-2006	2006Q3 - 2008Q1
Case-Shiller	253%	-21%
OFHEO	218%	-12%
	1996-2007	2007Q2 - 2008Q1
CAR	212%	-29%
DataQuick	199%	-23%

¹ Case-Shiller is composed of 20 metropolitan regional indices, two composite indices and a national index, but no state indices. For this analysis, a California index was created from the weighted average of the Los Angeles, San Diego, and San Francisco metropolitan indices.

indicate that home prices made greater gains on the upswing and suffered milder losses during the downturn than the other two series.

DIFFERENT SURVEYS AND METHODS

These differences are largely explained by their methodologies. CAR and DataQuick calculate the median price of the homes sold during each month. Case-Shiller and OFHEO calculate a same-sales index based on homes that have sold more than once.

CAR and DataQuick

Both the CAR and DataQuick series capture a unique point-in-time snapshot of the California residential real estate market on a monthly basis. Each series consists of the median price of recorded sales executed during each month. The principal differences between the two are that one covers a broader scope of the housing market and use different sources of information. The DataQuick series is the broader of the two as it includes sales of new and existing single-family homes and condominiums. The CAR median home price estimate reflects only sales of existing, single-family detached homes.²

The two series use separate sources of sales information. DataQuick relies on real estate transaction information from county recorder offices. The data for the CAR estimate is derived from a survey of Multiple Listing Service price and sales information used by about 90 local realtor associations statewide to market real estate properties for sale and for lease.

Since not all home sales are executed through real estate agents, the CAR data source is less comprehensive. Further, not all realtor associations provide data each month. Between 20 and 30 of the smallest associations may not respond at any given time. Thus, the market conditions of less densely populated regions may be chronically omitted from the CAR estimates. DataQuick includes a larger number of transactions and has broader geographic coverage.

Case-Shiller and OFHEO

The S&P/Case-Shiller methodology measures the change in price, over months or years, of single-family homes by collecting data on sale prices of specific homes. A "sale pair" is created when a specific home is resold and the new sale price is matched to the home's first sale price. The difference in the sale price of all the sale pairs in a region are then aggregated into one index. Sale pairs are carefully screened for any data points that would distort the index, such as foreclosures, non-arms length transactions (sales between family members) and suspected data errors.

The Case-Shiller approach is designed to measure the change in the price of homes that have not undergone significant positive or negative changes in quality. Sales pairs are assigned weights to account for fluctuations in price due to factors like extensive home remodeling, adding a home addition, or extreme neglect. Sales pairs are also weighted based on time intervals between sales. Sales pairs with longer time intervals are given less weight than sales pairs with shorter intervals to account for the probability of changes in the property.

OFHEO is similar to Case-Shiller in that it also tracks homes that have sold more than once. The principal difference is that OFHEO only tracks single-family homes financed by conforming, conventional mortgages³ that Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae) purchase or securitize. Case-Shiller, in contrast, tracks the prices of homes financed by all types of mortgages in major metropolitan areas.

PLUSES AND MINUSES

Each of these sets of methodologies has offsetting strengths and weaknesses. The CAR and DataQuick series are based on large samples, but their results can be distorted by changing home quality. Case-Shiller and OFHEO use a methodology designed to measure home price changes given a constant level of quality, but are based on notably narrower surveys.

Because the CAR and DataQuick estimates are the median value of all surveyed home sales during a month, they can reflect a change in the mix of the homes sold rather than change in home values generally. For instance, in the current housing market, a disproportionate number of homes have been sold at a sacrifice to avoid foreclosure. These prices, then, are not representative of the value of the state's actual housing stock. This helps explain why the CAR and DataQuick series took sharper downturns in response to the current housing crisis. The DataQuick results also include sales of new homes and condominiums, which means that they provide a broader picture of real estate market conditions.

Since the Case-Shiller and OFHEO estimates rely on a repeat sales methodology, their surveys are limited to existing homes for which current and prior sales data is available. The OFHEO survey has broad geographic coverage since it includes all mortgages purchased or securitized by Freddie Mac or Fannie Mae regardless of location. This also means, though, that it

² CAR also produces a separate condominium estimate.

³ A conventional loan is one that is not backed by the Federal Housing Administration or other government agencies.

does not include sales financed by subprime loans or, until recently, with mortgages over \$417,000. Prices of homes financed with subprime and jumbo loans rose more, and have fallen more, than homes financed with conforming conventional loans. This explains why the OFHEO series peaked lower than the Case-Shiller index and has dropped less since the peak.

While Case-Shiller includes home sales financed by all types of mortgages, its survey is limited to 20 metropolitan regions. California is represented by Los Angeles-Long Beach-Santa Ana⁴, San Diego-Carlsbad-San Marcos, and San Francisco-Oakland-Fremont⁵ metropolitan statistical areas. Since a disproportionate share of the fallout from the subprime mortgage meltdown affected inland regions like Riverside-San Bernadino and the Central Valley, the Case-Shiller index is not truly representative of what has happened in the state as a whole. This is likely why this index hasn't declined as dramatically as the CAR and DataQuick series.

All four price sources suffer from two shortcomings that cannot be measured or avoided. None of them can account for the use of non-price incentives, such as the seller paying for upgrades or significant home improvements. These costs are not reflected in recorded prices even though they effectively lower the selling price. Secondly, all of them, even Case-Shiller and OFHEO, suffer from some potential sample bias. In a soured market like the current one, the homes offered for sale are not representative of the total housing stock. Of the current home sellers, a greater proportion than normal are selling their homes under financial distress of some sort and are thus more willing to accept lower offers.

THE BOTTOM LINE

All four sources of California home price information have strengths and weaknesses when it comes to assessing the state of the California housing market. Each one should be considered in light of its particular methodology and sampling. The repeat sales indices, Case-Shiller and OFHEO, probably give earlier signals about changes in housing market conditions. The median sales price measures, CAR and DataQuick, on the other hand are likely to give more definitive signs of significant changes of course.

Due to the sampling issues noted above, the actual overall impact on residential real estate values in California lie somewhere in the midst of these indicators. The loss of general home values is most likely less severe than the CAR and DataQuick series indicate, but is also likely more severe than indicated by the OFHEO series.

All four home price series indicate that California home market troubles began sometime after the middle of 2006. According to all, home prices were falling faster during the first few months of 2008 than they were during 2007. Also, since in all four cases, prices are still above their 2003 levels, they all imply that home prices still have plenty of room for further losses.

⁴ Los Angeles and Orange counties.

⁵ Alameda, Contra Costa, Marin, San Francisco, and San Mateo counties.

Select Indicators

	2007	2008				Year-Over % Change
	May	Feb	Mar	Apr	May	
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	17,204	17,217	17,194	17,246	17,187	-0.1%
Unemployment (000)	956	1,049	1,138	1,141	1,256	31.5%
Unemployment rate	5.3	5.7	6.2	6.2	6.8	--
Nonagricultural wage and salary employment (000) a/	15,161.7	15,165.2	15,163.1	15,154.0	15,143.1	-0.1%
Goods-producing industries	2,394.2	2,307.7	2,303.1	2,297.4	2,284.7	-4.6%
Natural resources and mining	26.0	25.8	26.1	26.7	26.9	3.5%
Construction	903.7	834.9	829.1	824.9	815.3	-9.8%
Manufacturing	1,464.5	1,447.0	1,447.9	1,445.8	1,442.5	-1.5%
Service-providing industries	12,767.5	12,857.5	12,860.0	12,856.6	12,858.4	0.7%
Trade, transportation, and utilities	2,911.9	2,917.6	2,909.4	2,906.0	2,905.3	-0.2%
Information	471.5	462.1	468.5	462.9	466.1	-1.1%
Financial activities	912.4	881.4	879.5	878.7	877.5	-3.8%
Professional and business services	2,260.3	2,288.2	2,286.0	2,285.1	2,282.0	1.0%
Educational and health services	1,656.1	1,696.9	1,703.4	1,708.2	1,712.2	3.4%
Leisure and hospitality	1,554.6	1,565.7	1,567.5	1,566.1	1,564.1	0.6%
Other services	509.3	516.0	515.9	515.0	516.6	1.4%
Government	2,491.4	2,529.6	2,529.8	2,534.6	2,534.6	1.7%
Federal government	247.0	247.3	247.0	248.3	246.7	-0.1%
State and local government	2,244.4	2,282.3	2,282.8	2,286.3	2,287.9	1.9%
High-technology industries b/	866.6	873.1	872.4	873.3	873.3	0.8%
Computer and electronic products manufacturing	306.6	305.0	305.6	306.2	305.7	-0.3%
Aerospace products and parts manufacturing	72.5	71.3	71.5	71.2	71.0	-2.1%
Software publishers	42.5	43.4	43.6	43.4	43.6	2.6%
Telecommunications	120.6	123.0	120.9	121.2	120.9	0.2%
Internet service providers	21.2	21.3	21.2	20.6	20.9	-1.4%
Computer systems design	197.0	202.2	202.4	202.6	203.1	3.1%
Scientific research and development	106.2	106.9	107.2	108.1	108.1	1.8%
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	40.4	40.5	40.8	41.1	40.8	1.0%
Average weekly earnings	\$654.88	\$667.04	\$674.02	\$681.03	\$674.42	3.0%
Average hourly earnings	\$16.21	\$16.47	\$16.52	\$16.57	\$16.53	2.0%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	n.a.	221.4	n.a.	224.3	n.a.	--
San Francisco CMSA	n.a.	219.6	n.a.	222.1	n.a.	--
Los Angeles CMSA	218.6	221.4	223.6	224.6	226.7	3.7%
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	214.1	n.a.	217.6	n.a.	--
San Francisco CMSA	n.a.	214.9	n.a.	217.9	n.a.	--
Los Angeles CMSA	211.1	214.2	216.5	217.9	219.7	4.1%
CONSTRUCTION						
Private residential housing units authorized (000) c/	121	90	53	74	85	-29.8%
Single units	73	34	34	34	36	-50.8%
Multiple units	47	56	19	40	49	2.5%
Residential building authorized valuation (millions) d/	\$30,439	\$20,121	\$17,508	\$20,039	\$19,331	-36.5%
Nonresidential building authorized valuation (millions) d/	\$20,431	\$23,042	\$23,755	\$22,475	\$17,753	-13.1%
Nonresidential building authorized valuation (millions) e/	\$1,904	\$1,694	\$1,849	\$2,002	\$1,570	-17.5%
Commercial	681	628	662	786	526	-22.7%
Industrial	144	85	98	144	38	-73.8%
Other	337	281	248	242	224	-33.6%
Alterations and additions	743	699	842	831	782	5.3%
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	142,548	124,428	111,993	n.a.	n.a.	--

a/ The wage and salary employment information is based on the new North American Industry Classification System (NAICS)

b/ Not seasonally adjusted

c/ Seasonally adjusted at annual rate

d/ Seasonally adjusted

e/ Not seasonally adjusted

n.a. Not available

Select Indicators *Continued*

VACANCY RATES FOR FIRST QUARTER 2008 (Percent)

	Office Downtown		Office Suburban		Office Metropolitan		Industrial	
	1Q08	1Q07	1Q08	1Q07	1Q08	1Q07	1Q08	1Q07
Northern and Central California:								
Oakland	11.9	11.3	13.4	11.4	13.1	11.4	n.a.	n.a.
Sacramento	10.2	9.7	15.4	12.3	14.4	11.8	9.9	13.0
San Francisco	8.7	8.6	9.5	12.4	9.0	9.8	10.7	10.5
San Jose	13.3	20.0	11.0	9.7	11.5	12.0	n.a.	n.a.
Southern California:								
Los Angeles Metro	13.2	13.9	9.0	8.3	9.6	9.1	8.5	7.4
Orange County	n.a.	n.a.	15.9	8.8	15.9	8.8	7.3	6.9
San Diego	13.6	12.7	15.4	11.2	15.1	11.5	12.4	7.1
Ventura County	n.a.	n.a.	13.4	10.8	13.4	10.8	n.a.	n.a.
National Average	10.2	10.8	14.9	13.9	13.2	12.8	10.5	9.7

FOREIGN TRADE THROUGH CALIFORNIA

SALES OF EXISTING SINGLE-FAMILY HOMES				PORTS		DOD PRIME CONTRACTS a/		
		Median Price	Units (SAAR)	Exports	Imports		\$ millions	% of U.S.
				(\$ millions)				
2004	Jan	\$404,463	615,659	\$9,062	\$19,996	1993-94	22,573	20.5%
	Feb	391,550	589,220	9,536	18,011	1994-95	18,277	16.8%
	Mar	428,060	590,220	11,420	22,589	1995-96	18,230	16.7%
	Apr	452,680	640,710	10,249	21,722	1996-97	18,477	17.3%
	May	463,320	632,380	10,460	21,760	1997-98	17,401	15.9%
	Jun	468,050	633,660	10,481	23,971	1998-99	17,372	15.1%
	Jul	462,145	639,910	10,388	24,162	1999-00	18,100	14.7%
	Aug	473,520	591,150	10,118	24,127	2000-01	19,939	14.7%
	Sep	463,630	626,210	10,446	23,974	2001-02	23,816	15.0%
	Oct	459,530	639,571	10,460	25,279	2002-03	28,681	15.0%
	Nov	471,980	652,340	9,792	25,769	2003-04	27,875	13.7%
	Dec	474,270	645,860	10,628	22,863	2004-05	31,065	13.1%
2005	Jan	\$484,580	659,410	\$9,405	\$22,776			
	Feb	470,920	608,160	9,756	21,738			
	Mar	496,550	634,700	11,390	23,735			
	Apr	509,630	658,060	10,356	24,337			
	May	522,590	618,920	10,882	24,774			
	Jun	542,330	656,310	11,108	26,153			
	Jul	539,840	647,910	10,828	26,452			
	Aug	567,320	632,240	11,166	26,452			
	Sep	543,510	650,780	10,825	28,012			
	Oct	538,770	621,530	11,371	28,847			
	Nov	548,680	579,560	11,194	27,030			
	Dec	547,400	531,910	11,709	26,024			
2006	Jan	\$549,460	500,470	\$10,848	\$25,555			
	Feb	534,400	513,740	10,791	23,004			
	Mar	562,130	539,170	13,336	27,722			
	Apr	562,380	516,960	11,991	27,005			
	May	563,860	488,260	12,306	28,090			
	Jun	575,850	483,690	12,664	29,621			
	Jul	567,860	453,980	12,255	29,990			
	Aug	577,300	442,150	12,720	31,550			
	Sep	557,150	444,780	12,567	30,608			
	Oct	552,020	443,320	12,913	32,200			
	Nov	554,500	450,930	12,676	29,747			
	Dec	569,350	452,060	12,756	28,396			
2007	Jan	\$551,220	446,820	\$12,325	\$28,025			
	Feb	554,280	480,170	11,717	26,183			
	Mar	582,930	422,300	13,954	27,815			
	Apr	594,110	357,460	12,360	28,049			
	May	594,530	358,640	13,283	28,734			
	Jun	594,280	364,280	13,864	29,961			
	Jul	586,030	350,980	12,837	30,537			
	Aug	588,970	319,200	13,527	31,206			
	Sep	530,830	271,590	13,375	30,962			
	Oct	497,110	265,030	14,511	33,415			
	Nov	489,570	287,600	13,483	31,767			
	Dec	476,380	301,040	14,313	29,615			
2008	Jan	\$429,790	313,580	\$13,016	\$28,280			
	Feb	419,640	343,220	13,664	27,306			
	Mar	414,640	318,830	14,868	27,996			
	Apr	403,870	366,720	14,308	29,907			
	May	384,840	423,700	n.a.	n.a.			

a/ U.S. fiscal year: October through September

n.a. Not available

Leading Indicators/^a

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Claims	Incorporations	(Thousands)
2004	Jan	4.0	40.0	50,262	8,161	205.8
	Feb	3.9	40.2	50,215	8,596	205.6
	Mar	4.2	40.2	48,845	8,347	210.7
	Apr	4.4	39.9	48,663	8,462	201.8
	May	4.4	40.4	46,437	8,030	204.9
	Jun	4.2	39.9	49,581	8,837	209.3
	Jul	4.4	40.1	48,549	8,636	197.7
	Aug	4.2	40.1	47,823	8,289	215.6
	Sep	4.1	39.3	47,338	8,778	213.2
	Oct	4.2	39.7	47,295	8,130	214.2
	Nov	4.4	39.9	47,341	9,020	236.9
	Dec	4.5	39.9	48,188	9,012	227.3
2005	Jan	4.5	40.2	50,011	5,926	205.5
	Feb	4.5	40.0	46,613	8,977	201.2
	Mar	4.4	40.0	45,084	9,131	209.1
	Apr	4.5	40.0	43,844	9,560	209.8
	May	4.3	40.0	43,211	9,425	212.6
	Jun	4.3	39.6	42,341	9,282	218.3
	Jul	4.3	39.8	41,141	9,189	233.4
	Aug	4.7	39.9	41,131	9,118	198.7
	Sep	4.5	40.0	41,437	9,221	264.3
	Oct	4.4	40.5	39,984	8,740	195.8
	Nov	4.3	39.9	39,978	9,072	190.6
	Dec	4.2	39.4	41,352	9,088	175.8
2006	Jan	4.3	40.2	41,651	9,044	179.3
	Feb	4.5	40.3	38,711	8,699	221.5
	Mar	4.4	40.1	42,336	9,405	171.7
	Apr	4.3	40.2	43,184	8,519	179.8
	May	4.4	40.2	42,531	9,356	164.4
	Jun	4.4	40.4	40,533	8,579	198.7
	Jul	4.3	40.4	42,662	8,417	144.2
	Aug	4.1	40.1	42,949	8,981	150.5
	Sep	4.0	40.2	42,154	8,646	151.3
	Oct	4.2	40.5	42,070	9,070	135.7
	Nov	4.1	40.3	43,305	9,063	128.2
	Dec	4.2	40.8	45,290	8,772	139.1
2007	Jan	4.1	40.5	42,735	9,099	139.6
	Feb	3.9	40.2	42,805	8,890	130.9
	Mar	3.9	40.3	43,454	8,513	141.8
	Apr	3.9	40.5	43,033	8,429	126.7
	May	4.1	40.5	44,729	8,548	120.6
	Jun	4.1	40.6	45,168	8,821	102.6
	Jul	4.0	40.8	45,494	8,705	112.5
	Aug	4.1	40.7	46,201	9,284	127.0
	Sep	4.1	40.7	46,601	8,560	85.0
	Oct	4.1	40.6	49,039	9,091	99.3
	Nov	3.9	40.6	48,732	9,320	69.4
	Dec	3.8	40.4	49,154	8,385	94.5
2008	Jan	3.8	40.4	50,132	7,877	66.0
	Feb	3.9	40.7	47,190	8,805	89.9
	Mar	4.0	40.9	50,184	7,430	52.9
	Apr	4.2	41.2	51,874	n.a.	73.9
	May	3.8	40.9	51,928	n.a.	84.6

^{a/} Seasonally adjusted by the California Department of Finance.

n.a. Not available

Coincident Indicators/^a

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
2004	Jan	14,429	1,537	6.6	450
	Feb	14,445	1,534	6.5	441
	Mar	14,461	1,534	6.5	440
	Apr	14,481	1,537	6.4	436
	May	14,502	1,538	6.4	426
	Jun	14,503	1,534	6.3	436
	Jul	14,568	1,545	6.2	408
	Aug	14,549	1,536	6.1	418
	Sep	14,547	1,530	6.1	421
	Oct	14,616	1,528	6.0	401
	Nov	14,636	1,525	5.9	399
	Dec	14,626	1,520	5.9	402
2005	Jan	14,651	1,524	5.9	400
	Feb	14,685	1,520	5.7	393
	Mar	14,695	1,515	5.5	385
	Apr	14,747	1,517	5.5	371
	May	14,739	1,512	5.5	366
	Jun	14,750	1,510	5.5	374
	Jul	14,808	1,519	5.3	359
	Aug	14,840	1,514	5.3	360
	Sep	14,874	1,512	5.2	337
	Oct	14,895	1,512	5.2	345
	Nov	14,931	1,511	5.1	337
	Dec	14,953	1,509	5.1	325
2006	Jan	14,957	1,511	5.1	337
	Feb	14,999	1,511	4.9	335
	Mar	14,994	1,508	4.9	343
	Apr	14,984	1,503	5.0	358
	May	15,030	1,503	4.9	336
	Jun	15,060	1,501	4.9	335
	Jul	15,085	1,501	4.8	342
	Aug	15,110	1,499	4.9	339
	Sep	15,122	1,500	4.8	339
	Oct	15,162	1,506	4.8	342
	Nov	15,188	1,507	4.7	348
	Dec	15,213	1,507	4.8	348
2007	Jan	15,136	1,476	5.0	357
	Feb	15,159	1,473	5.0	358
	Mar	15,178	1,470	5.0	349
	Apr	15,139	1,466	5.2	359
	May	15,162	1,465	5.3	368
	Jun	15,172	1,464	5.3	353
	Jul	15,193	1,467	5.4	371
	Aug	15,182	1,459	5.5	372
	Sep	15,170	1,457	5.6	395
	Oct	15,168	1,457	5.7	401
	Nov	15,160	1,454	5.7	381
	Dec	15,171	1,452	5.9	427
2008	Jan	15,142	1,450	5.9	418
	Feb	15,165	1,447	5.7	408
	Mar	15,163	1,448	6.2	455
	Apr	15,154	1,446	6.2	476
	May	15,143	1,443	6.8	460

		Personal Income b/ (\$ millions)	Wages & Salaries b/ (\$ millions)	Taxable Sales c/ (\$ millions)
2004	Qtr I	\$1,235,134	\$682,305	\$122,248
	Qtr II	1,254,107	694,530	124,131
	Qtr III	1,272,152	704,879	124,884
	Qtr IV	1,302,488	714,168	128,541
2005	Qtr I	\$1,312,089	\$719,120	\$128,097
	Qtr II	1,335,194	727,829	133,749
	Qtr III	1,363,071	744,510	137,374
	Qtr IV	1,382,667	753,281	137,157
2006	Qtr I	\$1,413,588	\$777,381	\$138,131
	Qtr II	1,426,103	773,704	140,907
	Qtr III	1,443,049	784,100	140,409
	Qtr IV	1,463,044	800,737	140,098
2007	Qtr I	\$1,492,278	\$814,026	\$142,376
	Qtr II	1,514,048	823,414	142,779
	Qtr III	1,530,834	829,619	137,636
	Qtr IV	1,551,196	841,968	138,460
2007	Qtr I	\$1,567,165	\$852,116	\$137,151

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

b/ Estimates by the U.S. Bureau of Economic Analysis

c/ Taxable sales estimates for 2007: QII, QIII, QIV and 2008: Q1 are preliminary.

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

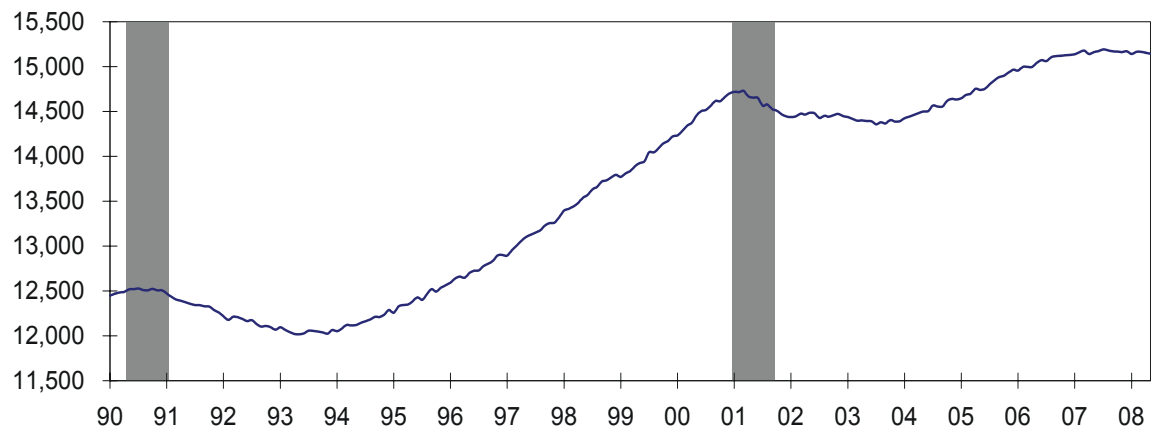
Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

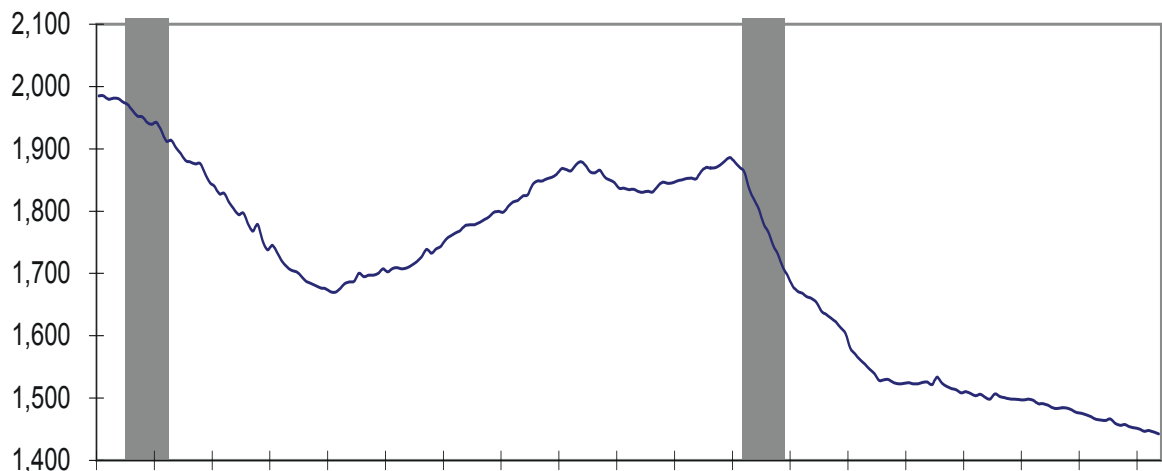
Nonagricultural Employment

(Thousands,
Seasonally Adjusted)

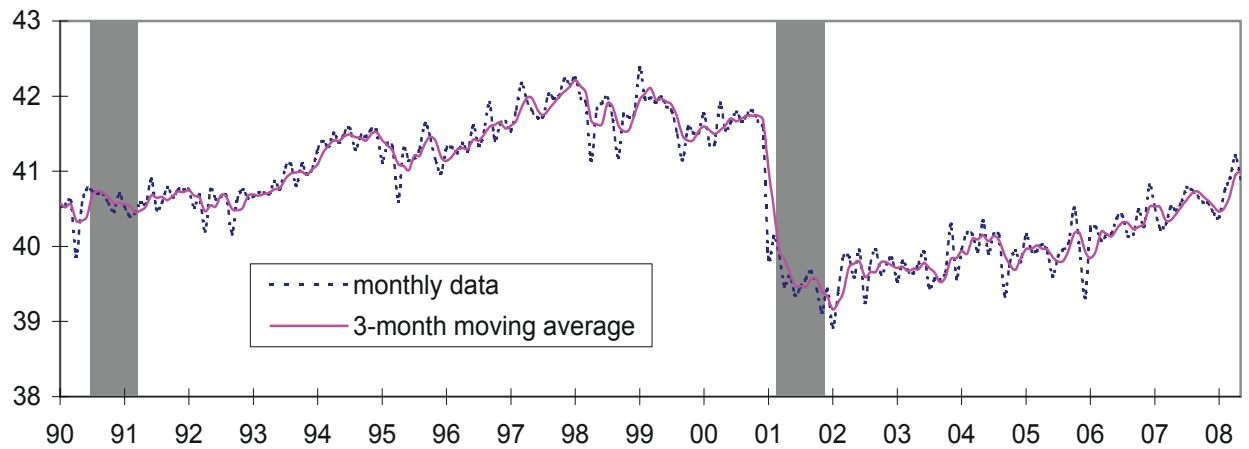


Manufacturing Employment

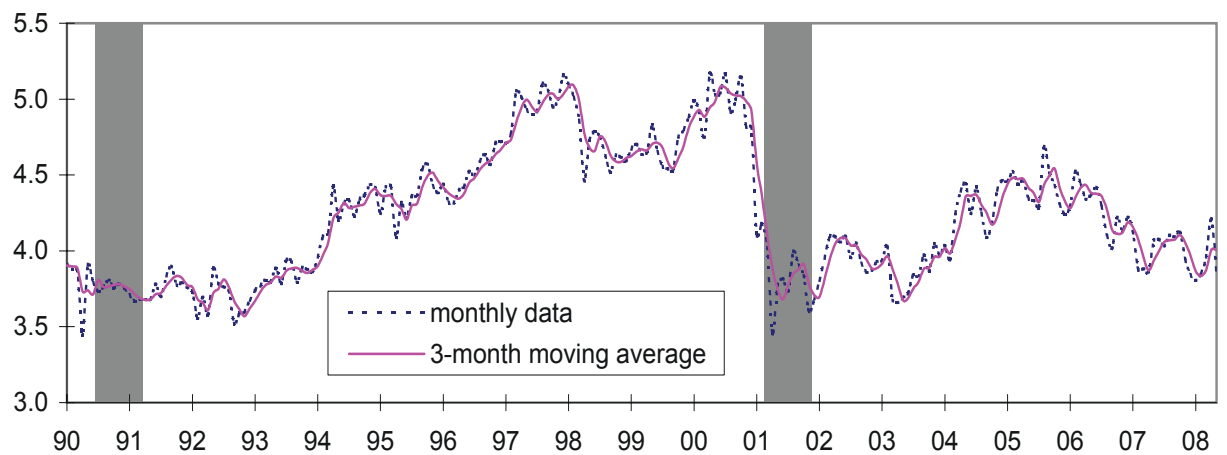
(Thousands,
Seasonally Adjusted)



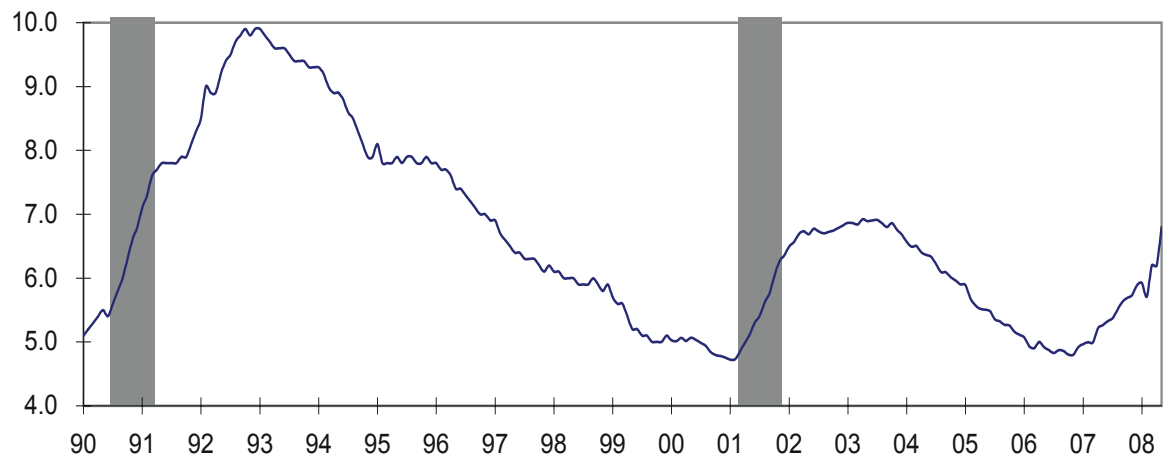
Average
Weekly Hours,
Manufacturing
(Seasonally Adjusted)



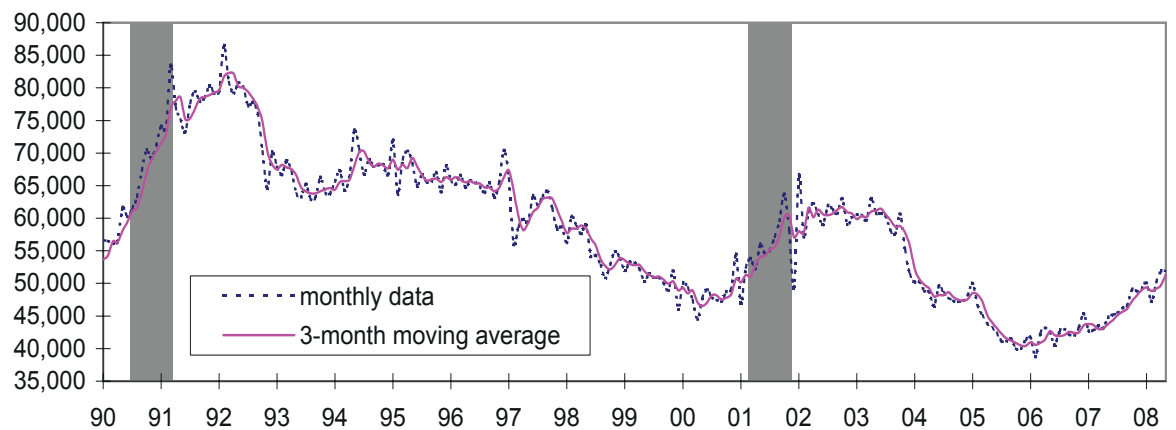
Average
Overtime Hours,
Manufacturing
(Seasonally Adjusted)



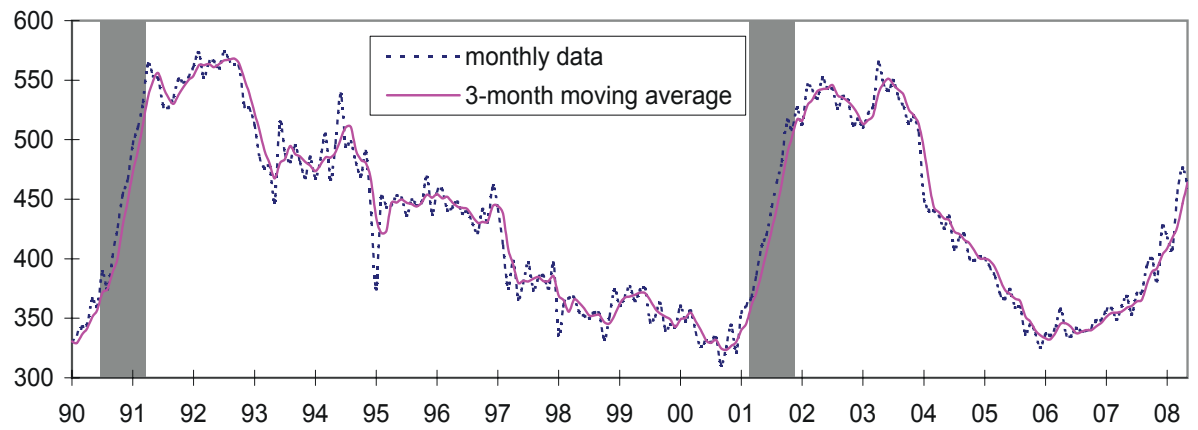
Unemployment
Rate
(Percent)



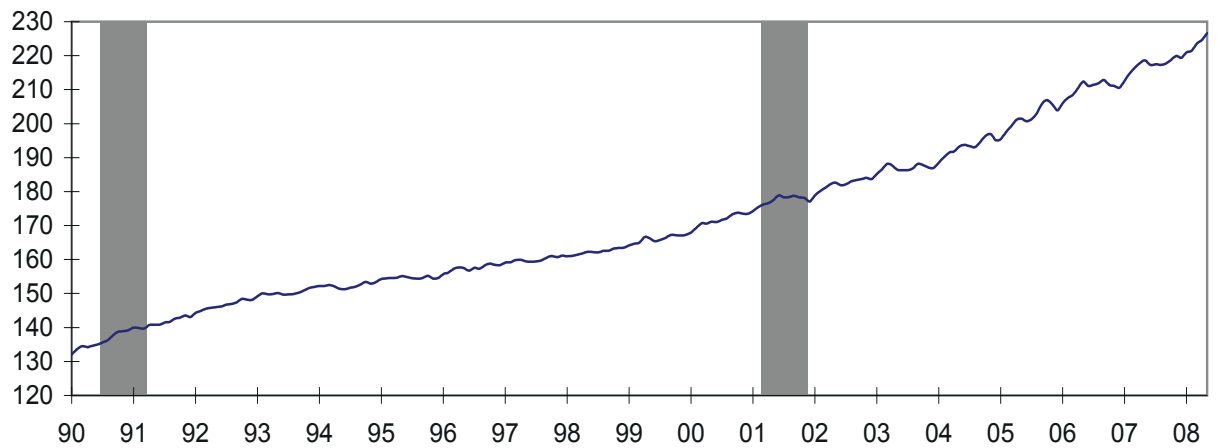
Initial &
Transitional
Claims for
Unemployment
Insurance
(Weekly Average,
Seasonally Adjusted)



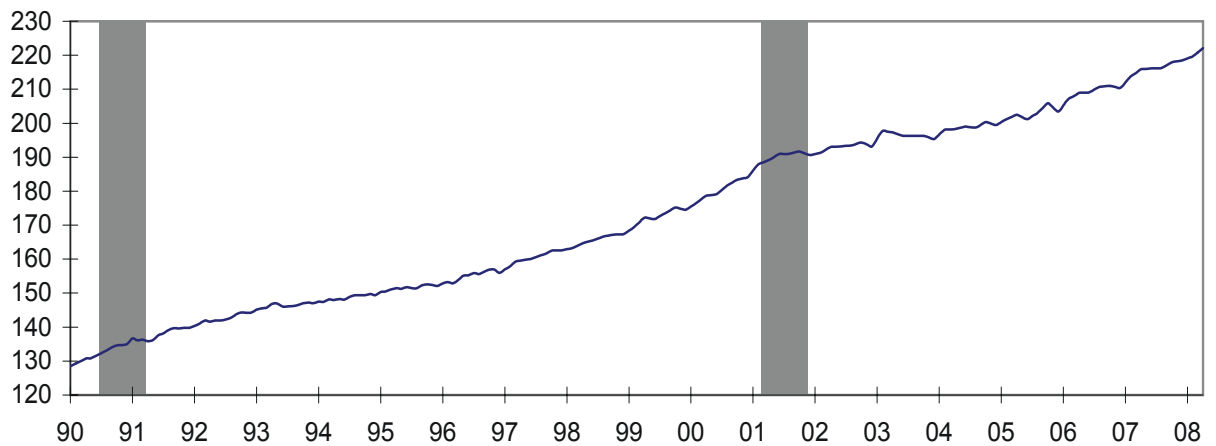
Unemployment,
Average Weeks
Claimed
(thousands,
Seasonally Adjusted)



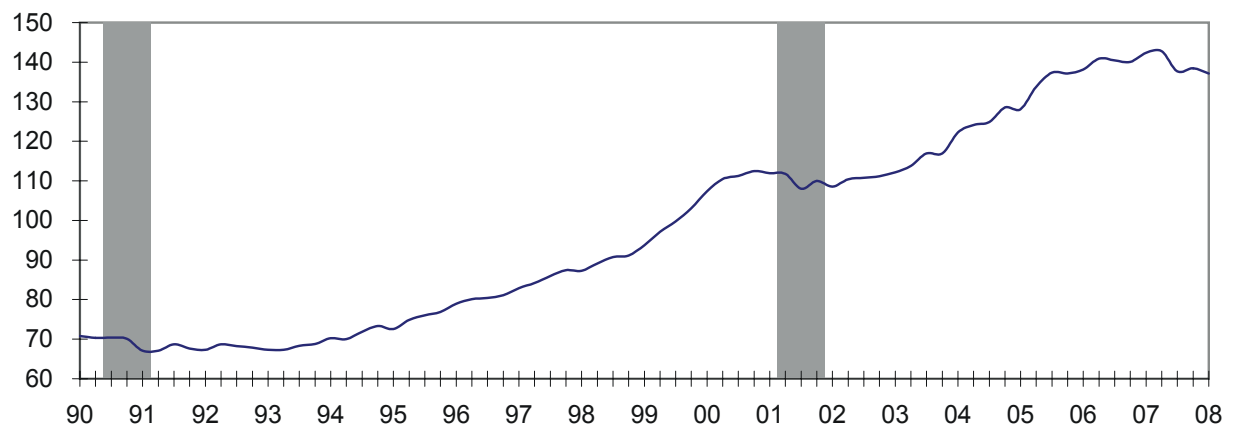
Consumer
Price Index,
Los Angeles
(1982-84=100)



Consumer
Price Index,
San Francisco
(1982-84=100)

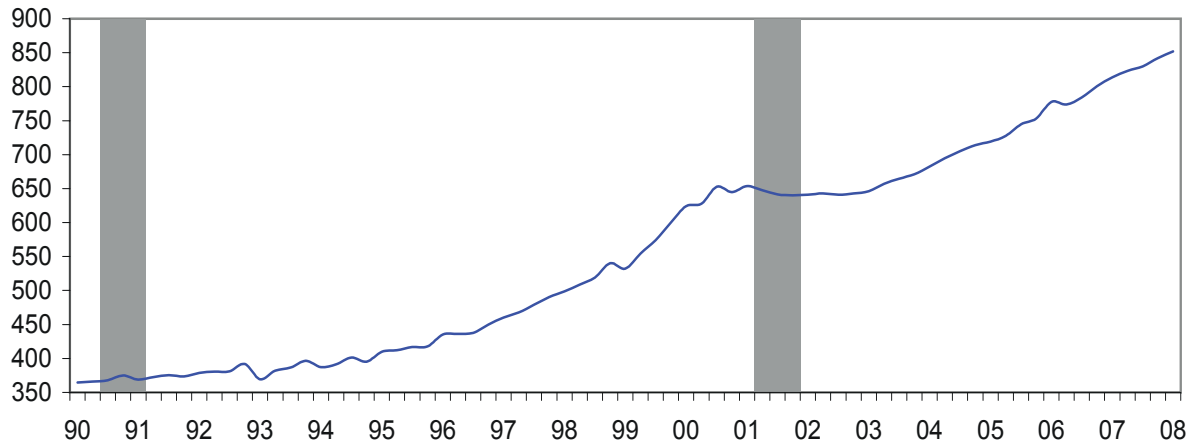


Taxable Sales
(Dollars in billions,
Seasonally Adjusted)



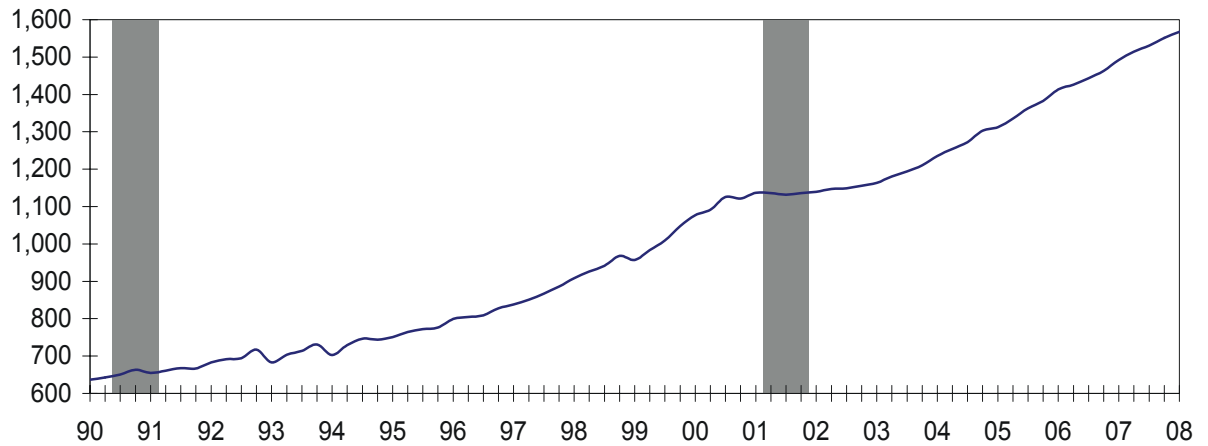
Wages and Salaries

(Dollars in billions,
Seasonally Adjusted)



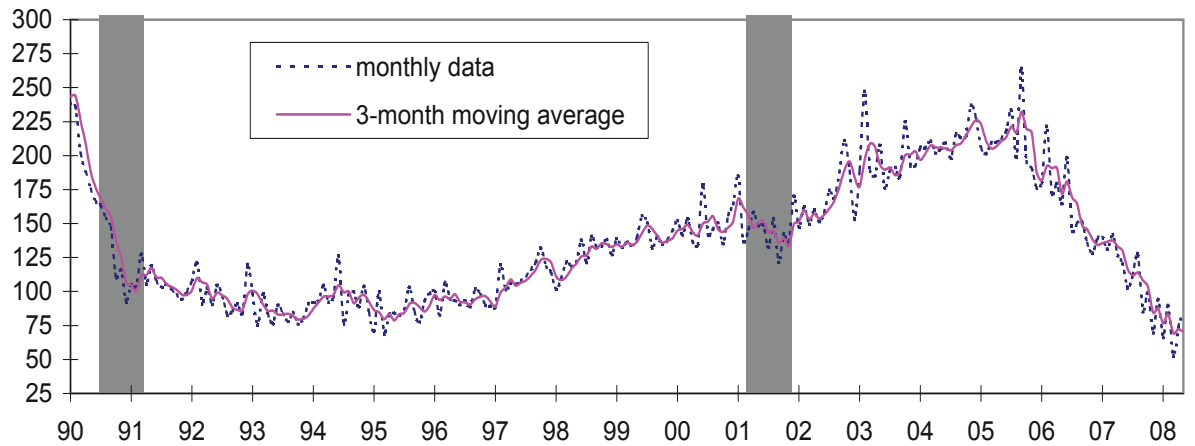
Personal Income

(Dollars in billions,
Seasonally Adjusted)



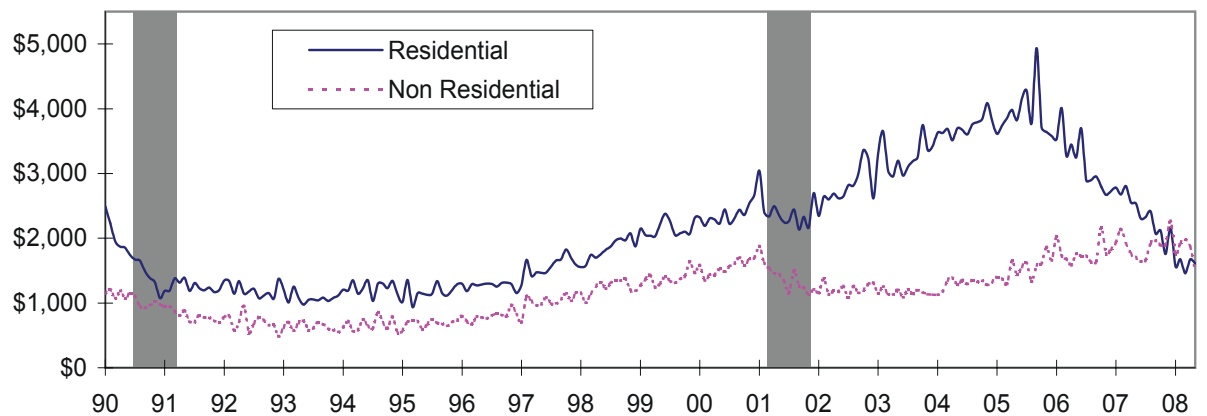
New Housing Units Authorized By Building Permits

(thousands, Seasonally Adjusted at Annual Rate)



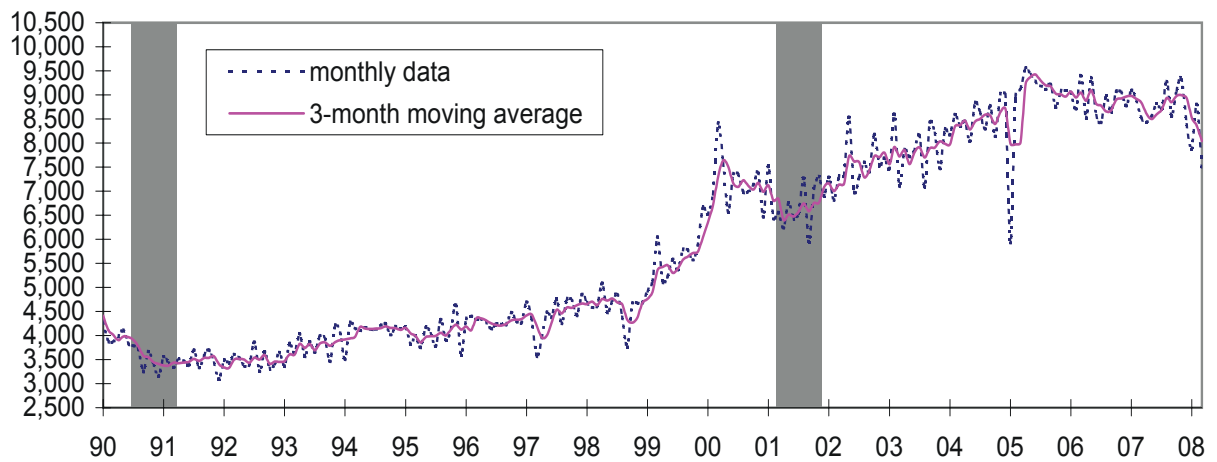
Residential & Nonresidential Building Permit Valuation

(Dollars in millions,
Seasonally Adjusted)



New Business Incorporations

(Seasonally Adjusted)



■ CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of events dating back to 1956 is available at the Department's internet home page at: www.dof.ca.gov

2007

- July 24** Federal minimum wage increased to \$5.85 from \$5.15 per hour.
- July 26** The Dow Jones industrial average dropped 311.50 points or 2.3 percent amid concerns about housing and credit markets.
- August 2** Mattel says it is recalling 1.5 million Chinese-made toys worldwide marking the latest in a string of recalls that have fueled U.S.-China tensions over the safety of Chinese products.
- August 9** The Dow Jones industrial average was down 387.18 points or 2.8 percent as worries about the global credit market sparked a broad sell-off in stocks.
- August 10** The Federal Reserve injected \$38 billion into the banking system in an effort to provide liquidity as needed to keep financial markets operating normally.
- August 17** The Federal Reserve, reacting to concerns about the subprime lending crisis, cut its discount rate half a percentage point to 5.75 percent.
- August 23** Bank of America invests \$2 billion in Countrywide Financial Corporation, helping the nation's largest mortgage lender shore up its finances as it struggles with a liquidity crunch.
- August 24** California Governor Arnold Schwarzenegger signs the 2007-08 state budget bill.
- August 28** The Dow Jones industrial average closed down 280.28 points or 2.1 percent as investors were hit by fresh worries over declining consumer confidence, falling home prices, shrinking profits on Wall Street and uncertainty about the Federal Reserve.
- August 30** Second quarter GDP increased at an annual rate of 4 percent. That's up from its initial estimate of 3.4 percent growth.
- September 10** Blasts rip Mexico gas and oil pipelines.

September 18	Federal funds rate reduced from 5.25 percent to 4.75 percent. Discount rate cut from 5.75 percent to 5.25 percent.
September 27	Second quarter GDP increased at an annual rate of 3.8 percent. That's down from its preliminary estimate of 4 percent.
October 21-26	Southern California wildfires
October 31	Federal funds rate reduced from 4.75 percent to 4.50 percent. Discount rate cut from 5.25 percent to 5 percent.
November 1	The Federal Reserve injects \$41 billion in temporary reserves into the US money markets.
November 5-	Members of the Writers Guild of America strike
November 12	Citigroup, Bank of America, and JPMorganChase agree to a \$75 billion superfund to restore confidence to credit markets.
November 15	US House of Representatives passes the Mortgage Reform and Anti-Predatory Lending Act of 2007.
December 6	President Bush announces a plan to voluntarily and temporarily freeze the mortgage rates of a limited number of mortgage debtors holding adjustable rate mortgages.
December 11	Federal funds rate target reduced from 4.50 percent to 4.25 percent. Discount rate cut from 5 percent to 4.75 percent.
December 12	The Federal Reserve injects \$40B into the money supply and coordinates such efforts with central banks from Canada, United Kingdom, Switzerland and European Union.
December 18	The Federal Reserve approves measures to give mortgage holders more protection to prevent the current housing crisis from worsening further.
December 20	Third quarter GDP increased at an annual rate of 4.9 percent.
December 21	In California, sales of new and existing houses and condos were down 39 percent from a year ago in November. Sales have declined in the last 26 months on a year-over-year basis. The median price paid for a home was down 2.4 percent from the prior month and down 11.9 percent from a year ago. Financing with adjustable-rate mortgages and with multiple mortgages have dropped sharply. Foreclosure activity is at record levels.
December	Banks, mortgage lenders, real estate investment trusts, and hedge funds continue to suffer significant losses as a result of mortgage payment defaults and mortgage asset devaluation.

2008

January 1	California minimum wage increased to \$8.00 per hour from \$7.50.
January 11	Bank of America agrees to purchase Countrywide Financial.
January 14	Fitch assigns Negative Rating Watch to State of California.
January 2 1-22	Global stock markets plunge.
January 22	Federal funds rate target reduced from 4.25 percent to 3.5 percent, the biggest one-day interest rate reduction on record.
January 30	Federal funds rate target reduced from 3.5 percent to 3 percent.
February 12	Hollywood writers strike ends.
February 19	Crude oil price tops \$100 a barrel.

March 13	Gold futures hit \$1000 an ounce for the first time. Crude oil price tops \$110 a barrel. Gas prices rise to another record high.
March 16	JPMorgan agrees to buy Bear Stearns for a mere fraction of what it was once worth.
March 17	The Fed expanded the range of programs to boost financial market liquidity and cut the discount rate by 25 basis points, to 3.25 percent
March 18	Federal funds rate target reduced from 3 percent to 2.25 percent.
March 27	Fourth quarter GDP increased at an annual rate of 0.6 percent, compared with 4.9 percent in the third quarter.
April 15	Retail chains caught in a wave of bankruptcies.
April 16	Consumer prices, over the past 12 months, is up by 4 percent, reflecting sharp gains in energy costs, which are up 17 percent over that period, and food prices, which are up 4.4 percent.
April 30	Federal funds rate target reduced from 2.25 percent to 2 percent. First quarter GDP increased at an annual rate of 0.6 percent.
May 12	China earthquake
May - June	Gas prices set new all-time highs.
June 26	First quarter GDP increased at an annual rate of 1 percent. Crude oil hits new high of \$140 a barrel.